

Message Text

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53

ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 /013 W

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O 271722Z FEB 75

FM AMEMBASSY MADRID

TO SECSTATE WASHDC IMMEDIATE 1173

UNCLAS MADRID 1391

E.O. 11652: N/A

TAGS: AFSP; ABUD, SP

SUBJ: FY-1975 SUPPLEMENTAL

FOR EUR/EX

REF: STATE 42736

1. IN ACCORDANCE WITH REQUEST IN REF MESSAGE, THERE IS SUBMITTED
THE FOLLOWING INFORMATION ON PRICE INCREASES AND EXCHANGE RATES.
THE ESTIMATIONS AND PROJECTIONS HAVE BEEN DEVELOPED IN CONJUNCTION
WITH EMBASSY'S ECONSOMI SECTION.

2. PRINCE INCREASES IN PERCENTAGE TERMS:

	ACTUAL FY-1974	ACTUAL FY-1975	ESTIMATED OR ADDITIONAL FY-1975
A. COST OF LIVING		15.1	19-20
B. WAGES	26.6		25
C. COMMUNICATIONS:			
TELEPHONE SVC.		36	15
TELEX		25	5
POSTAGE		50	
D. UTILITIES:			
ELECTRICITY		16	17 12
GAS	20	6	20
E. FUEL:	94	17	13
COAL	6	34	
F. SUPPLIES:			
NEWSPAPERS		40	

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GASOLINE 117

OTHER	10	10
G. SERVICES:		
DOMESTIC AIR FARES	31	
RAIL FARES	10	5
OTHER	10	10

3. PROJECTION OF LIKELY EXCHANGE RATE DEVELOPMENTS FOR REMAINDER OF
FY-1975 AND FOR FY-1976;

DURING THE PAST 12 MONTHS (2/74-2/75) GOS AUTHORITIES HAVE
PERMITTED THE PESETA TO APPRECIATE APPROXIMATELY 6 PERCENT AGAINST
THE DOLLAR. PRESENT GOS POLICY IS TO SET THE PESETA RATE IN
ACCORDANCE WITH CHANGES IN THE RATE OF THE DOLLAR VIS-A-VIS A
MARKET BASKET OF EUROPEAN CURRENCIES. IF THE DOLLAR CONTINUES
TO DEPRECIATE AGAINST THRESE CURRENCIES AS IT HAS RECENTLY BEEN
DOING, THE DOLLAR CAN THEN BE EXPECTED TO DECLINE IN TERMS OF
THE PESETA ABOUT HALF AS MUCH. A 3 PERCENT DEVALUATION OF THE DOLLAR
AGAINST THE PESETA IN FY-75 AND A FURTHER 3-5 PERCENT DEVALUATION IN
FY-76 MAY BE CONSIDERED POSSIBLE. BUT IT SHOULD BE STRESSED
THAT THESE FIGURES NECESSARILY ARE ROUGH ESTIMATES AT BEST.
EMBASSY'S FIELD BUDGET ESTIMATED FOR FY-1975-76 (A-139,
JULY 11, 1974) WERE COMPUTED AT THE RATE OF 57.00 PESETAS TO
US\$1.00, TODAY'S RATE IS 55.75 PESETAS TO US \$1.00.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 27 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MADRID01391
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750069-0750
From: MADRID
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975027/aaaaagcn.tel
Line Count: 84
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 STATE 42736
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 22 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 MAY 2003 by McShalBA>; APPROVED <23 JAN 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FY-1975 SUPPLEMENTAL FOR EUR/EX
TAGS: AFSP, ABUD, SP
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006